

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                          |   |            |
|------------------------------------------|---|------------|
| APPLICATION OF WHITLEY COUNTY WATER      | ) |            |
| DISTRICT NO. 1 FOR APPROVAL OF FINANCING | ) | CASE NO.   |
| AND ISSUANCE OF A CERTIFICATE OF         | ) | 2017-00068 |
| CONVENIENCE AND NECESSITY                | ) |            |

ORDER

On February 8, 2017 Whitley County Water District No. 1 (“Whitley County”) submitted an application for approval of financing and the issuance of a Certificate of Public Convenience and Necessity (“CPCN”) to construct new water lines that will replace approximately 39,900 linear feet of existing distribution lines that are undersized or have been prone to excessive leaking.

No person has sought intervention in this matter, and Whitley County has not requested a hearing. The record for this case is complete.

Whitley County, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,551 customers in Whitley County, Kentucky.<sup>1</sup>

Whitley County requests a CPCN for the construction of approximately 3,700 linear feet of four-inch pipeline; 36,200 linear feet of three-inch pipeline; various sized directionally drilled stream crossings and other appurtenances such as leak detection

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<sup>1</sup> *Annual Report of Whitley County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2015 at 14 and 53.*

meters. Additionally, the financing of the project will provide approximately 700 radio read meters to replace the last of the conventional meters in the distribution system.<sup>2</sup>

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is approximately \$937,500. This project is to be financed with a \$932,500 loan from the Kentucky Infrastructure Authority (“KIA”) Revolving Loan Fund (“Fund F”) loan F15-030. The \$932,500 KIA loan is to be repaid over a 20-year term at an interest rate of 0.75 percent per annum with a loan servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment.<sup>3</sup> Whitley County has received a one-year Conditional Commitment from KIA for this loan; this one-year Conditional Commitment expires on April 2, 2017.<sup>4</sup>

Kenvirons, Inc. of Frankfort, Kentucky, prepared the plans and specifications for the proposed project. The Kentucky Division of Water (“KDOW”) approved the plans and specifications of the proposed project on December 2, 2016.<sup>5</sup>

The Kentucky Transportation Cabinet’s approved Encroachment Permits on March 22, 2016.<sup>6</sup>

The bids on this project will expire on April 12, 2017.

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<sup>2</sup> Application, Exhibit A.

<sup>3</sup> *Id.*, Exhibit D.

<sup>4</sup> *Id.*, Exhibit D.

<sup>5</sup> *Id.*, Exhibit B.

<sup>6</sup> *Id.*, Exhibit B.

Whitley County states that this project will replace approximately 39,900 linear feet of existing distribution lines that are undersized or have been prone to excessive leaking. Many of the lines to be replaced were initially installed by private home owners approximately 20 years ago or longer to serve only the residences that existed at the time and were never intended to serve growth or to be extended.<sup>7</sup> Whitley County states that although no new customers will be served by this project, approximately 233 existing customers will directly benefit from improved service. Whitley County further states that their entire customer base will benefit from lower costs because the project will reduce purchased water costs by replacing existing leak prone lines, reduce maintenance costs resulting from frequent leak repairs, and reduce personnel costs associated with the monthly meter reading.<sup>8</sup>

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which will allow Whitley County to continue providing reliable and adequate water services to its customers.

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<sup>7</sup> Application, Paragraph 4.

<sup>8</sup> *Id.*, Exhibit B.

5. KDOW has approved the plans and specifications for this proposed project.

6. The proposed Assistance Agreement with KIA is for lawful objects within Whitley County's corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Whitley County's service to the public, will not impair Whitley County's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

7. Whitley County should be authorized to utilize \$932,500 of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Whitley County is granted a CPCN to proceed with the proposed construction as set forth in its application.

2. Whitley County shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

4. Whitley County shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

5. Whitley County is authorized to enter into the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$932,500 to be repaid over a 20 year period at an interest rate of 0.75 percent per annum with a loan servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, Whitley County shall file with the Commission an executed copy of the Assistance Agreement. Whitley County shall use \$932,500 of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds shall be used for the construction of any project not clearly identified in Whitley County's Application and approved by the Commission in this proceeding, unless and until Whitley County obtains prior Commission approval for the use of the proceeds.

7. Whitley County shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs, (e.g. engineering, legal, administrative, etc.) within 60 days of the date that construction authorized under this CPCN is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

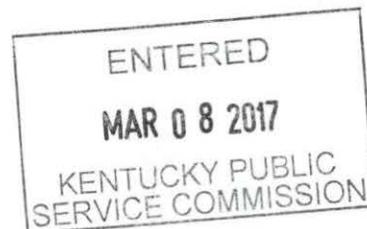
8. Whitley County shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 6, 7, and 8 shall reference this case number and shall be retained in the post case correspondence file.

10. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Whitley County's showing of good cause for such extension.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any other agency thereof as to the securities authorized herein.

By the Commission



ATTEST:

  
Executive Director

\*Honorable John N Hughes  
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